

Grantville Master Plan Charrette

Economics Research Associates (ERA)
Market Issues Presentation
January 29, 2009

Project Background

- Market Analysis
- Input to Development Scenarios
- Economic Impact
- Socio-Economic Impact
- Fiscal Impact
- Input to the Public Facilities Financing Plan

Overview of Presentation

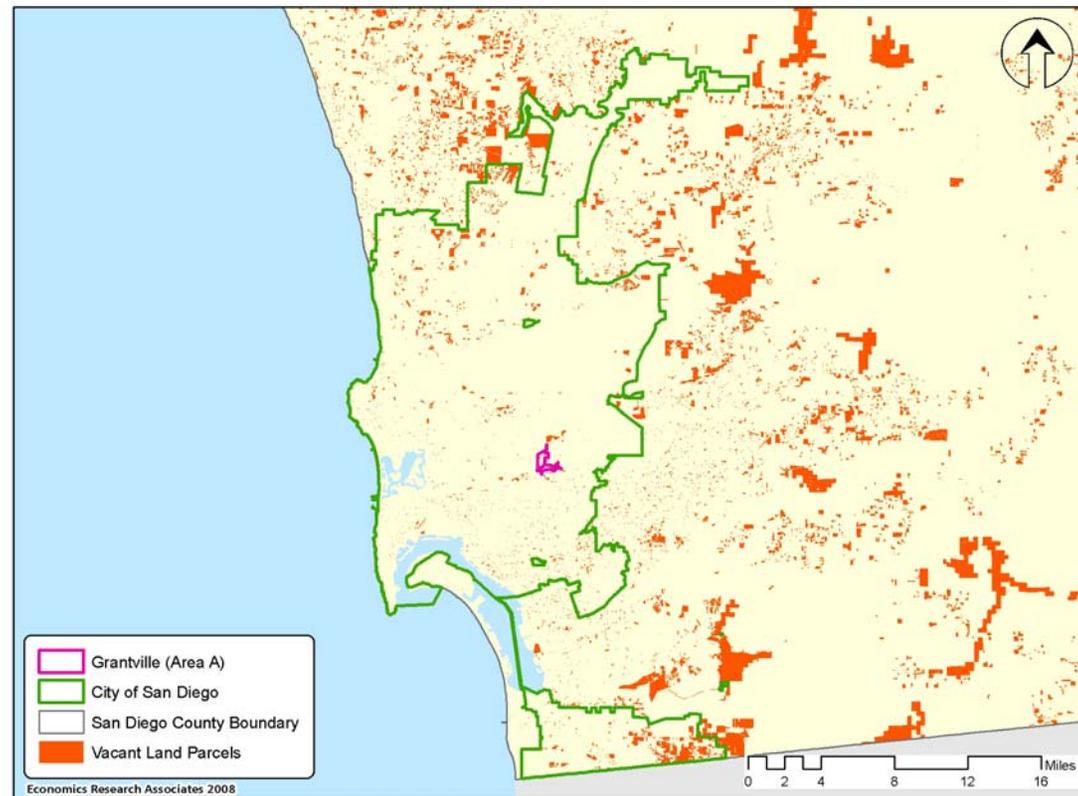
- Regional Market Dynamics
- Site Context, Opportunities, and Constraints
- Market Demand
 - Office
 - Industrial
 - Retail
 - Residential
- Implementation Issues

Regional Market Dynamics

Land Scarcity

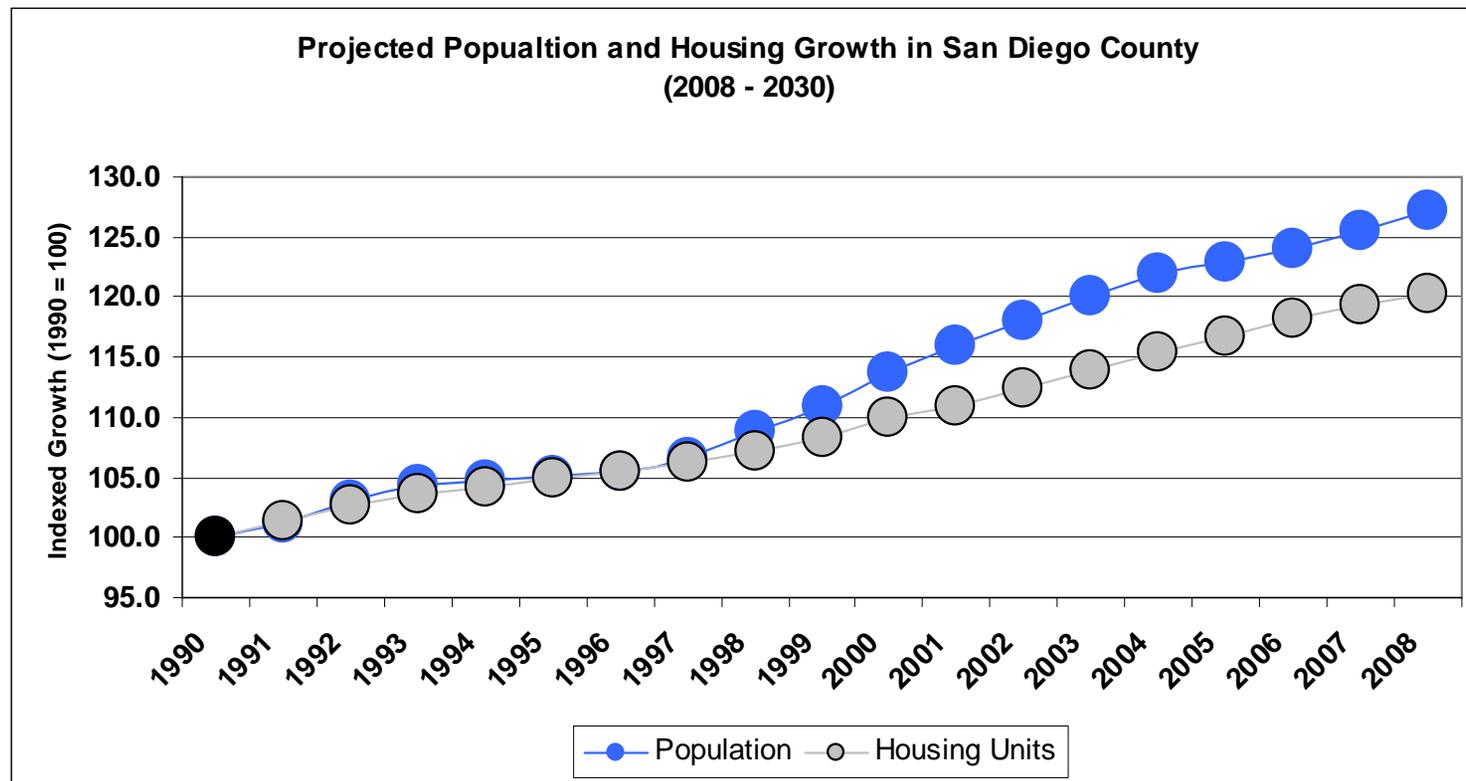
- Long term development in the City and County will be challenged by the scarcity of land.
- Two-thirds of County land off limits to development.
- 5% of developable City land vacant.

Vacant Land (All Types) - City of San Diego



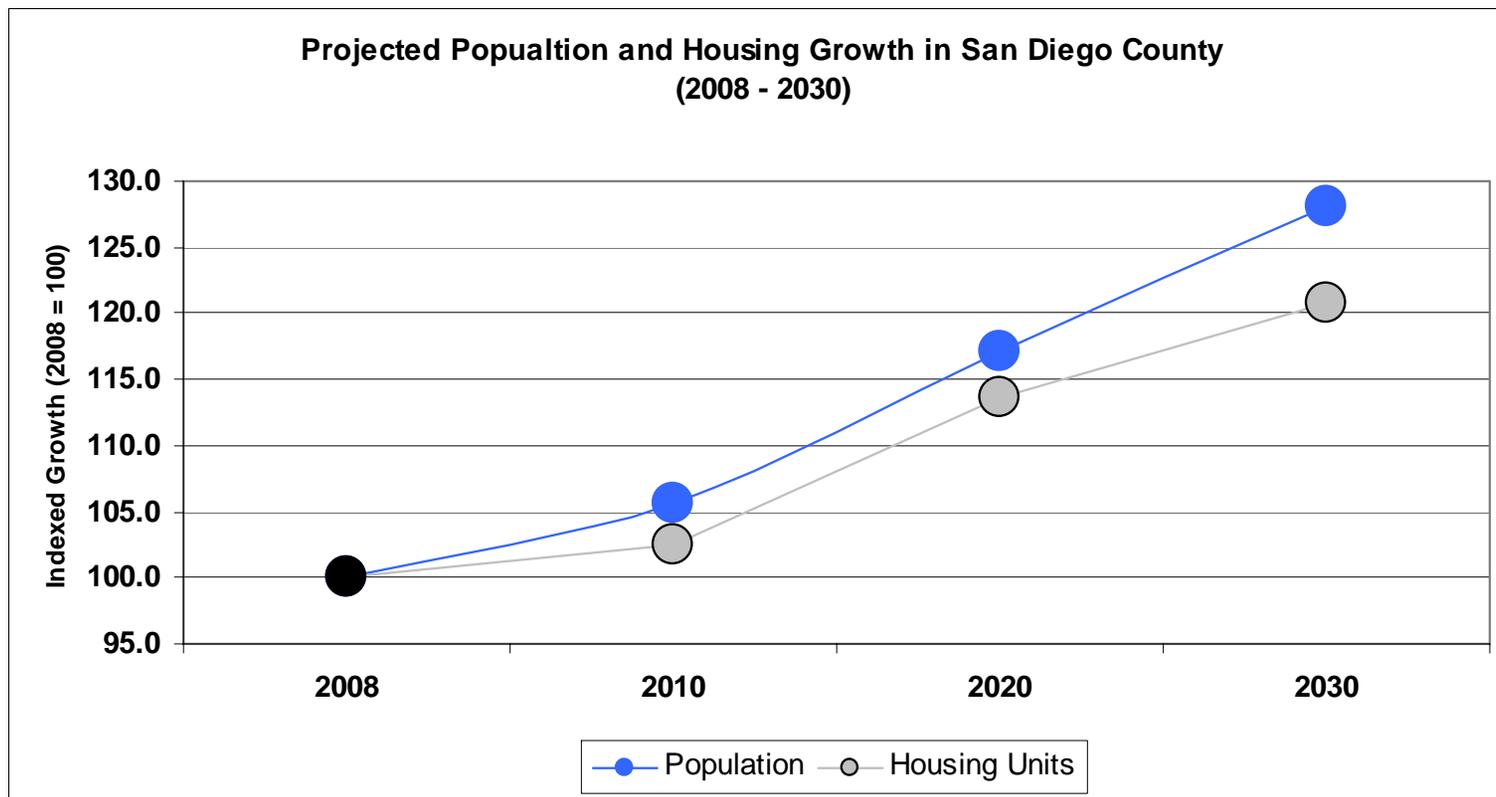
Population and Housing Growth

- Housing deliveries have not kept up with population increases since 1990.



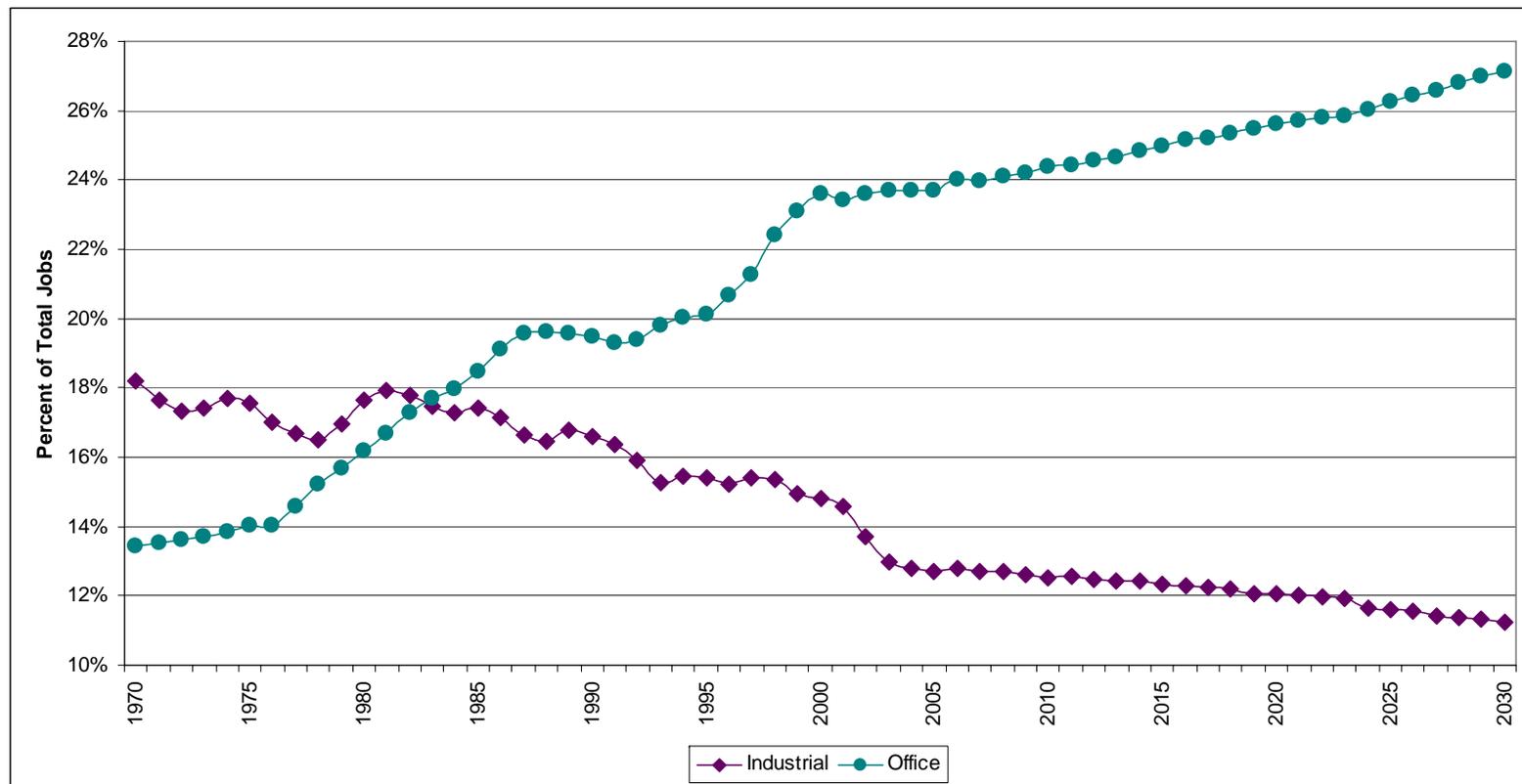
Population and Housing Growth

- SANDAG projects this trend will continue in the future



Employment Growth and Trends

- Historic and projected non-farm employment growth is approximately 1% (CAGR) in the County.
- Evolving change in the County's industry composition.



Site Context, Opportunities, and Constraints

Location

- Centrally located within the City of San Diego.
- Near SDSU, Mission Valley, & CBD.
- I-8 & I-15 Access
- Mission Gorge Rd.
- Grantville Trolley Station

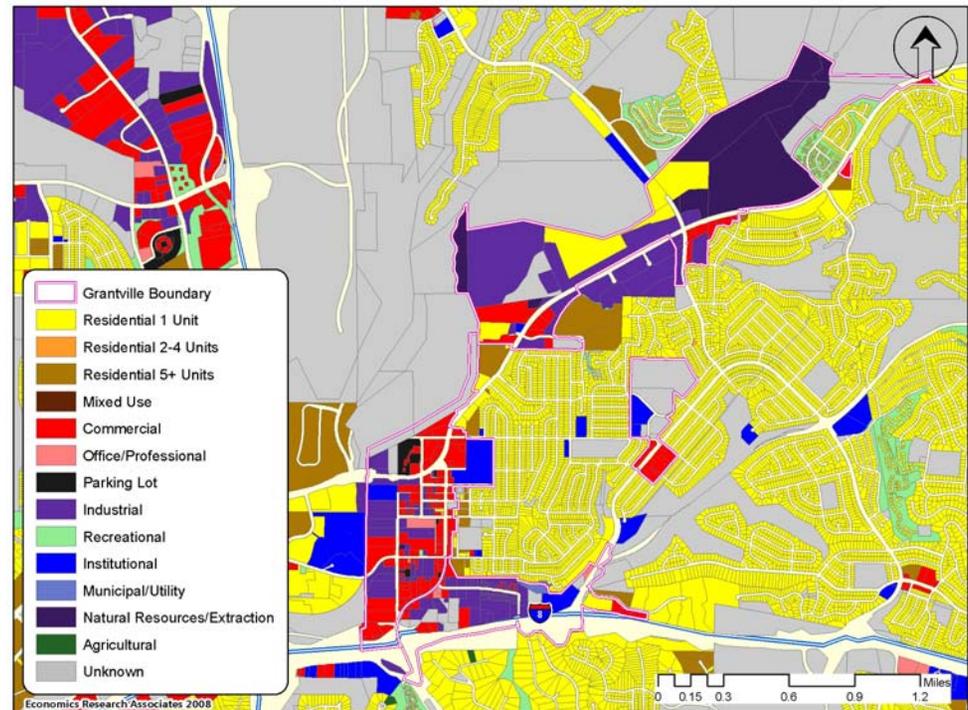
Grantville Area A - Overview Map



Existing Land Use

- Commercial
 - 33.4% (111.2 acres)
- Industrial
 - 35.1% (117.1 acres)
- Office
 - 7.3% (24.4 acres)
- Institutional
 - 10.3% (34.3 acres)
- Commercialized by light industrial, industrial serving, Home Depot, auto related retail/services, restaurants, limited office, and Kaiser Permanente.

Grantville Parcel Map



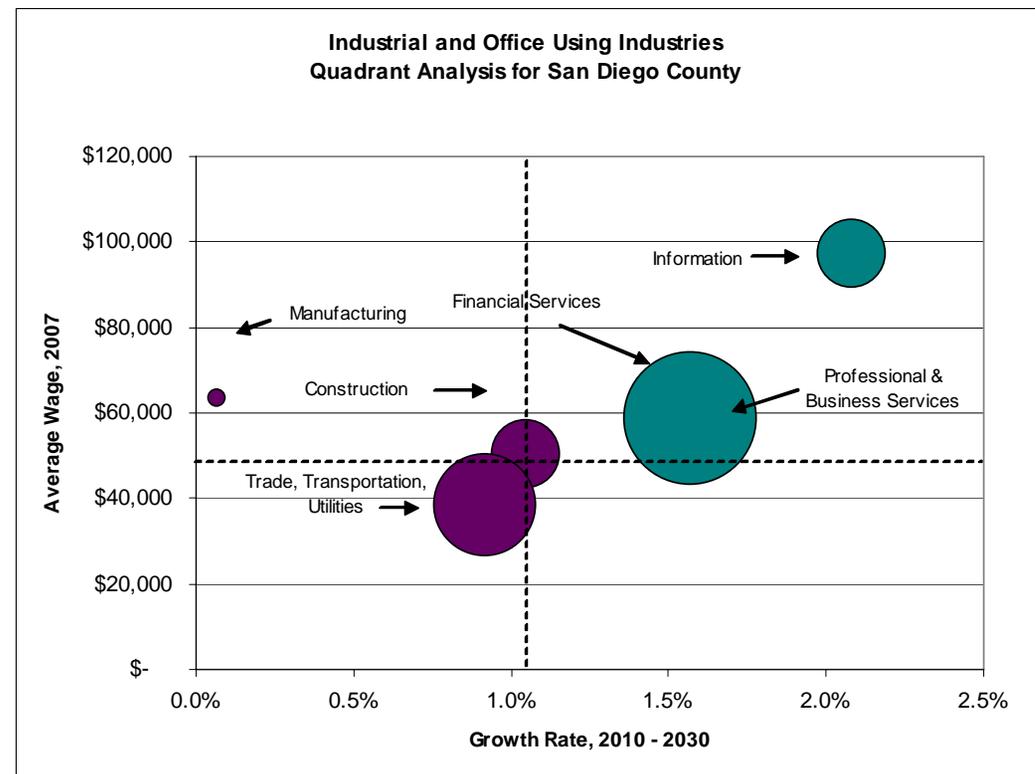
Opportunities

- Central location
- Mass transit infrastructure (San Diego Trolley)
- Proximity to SDSU
- San Diego River
 - Amenity that could create areas of passive and active open space.
- Single ownership for large properties



Constraints

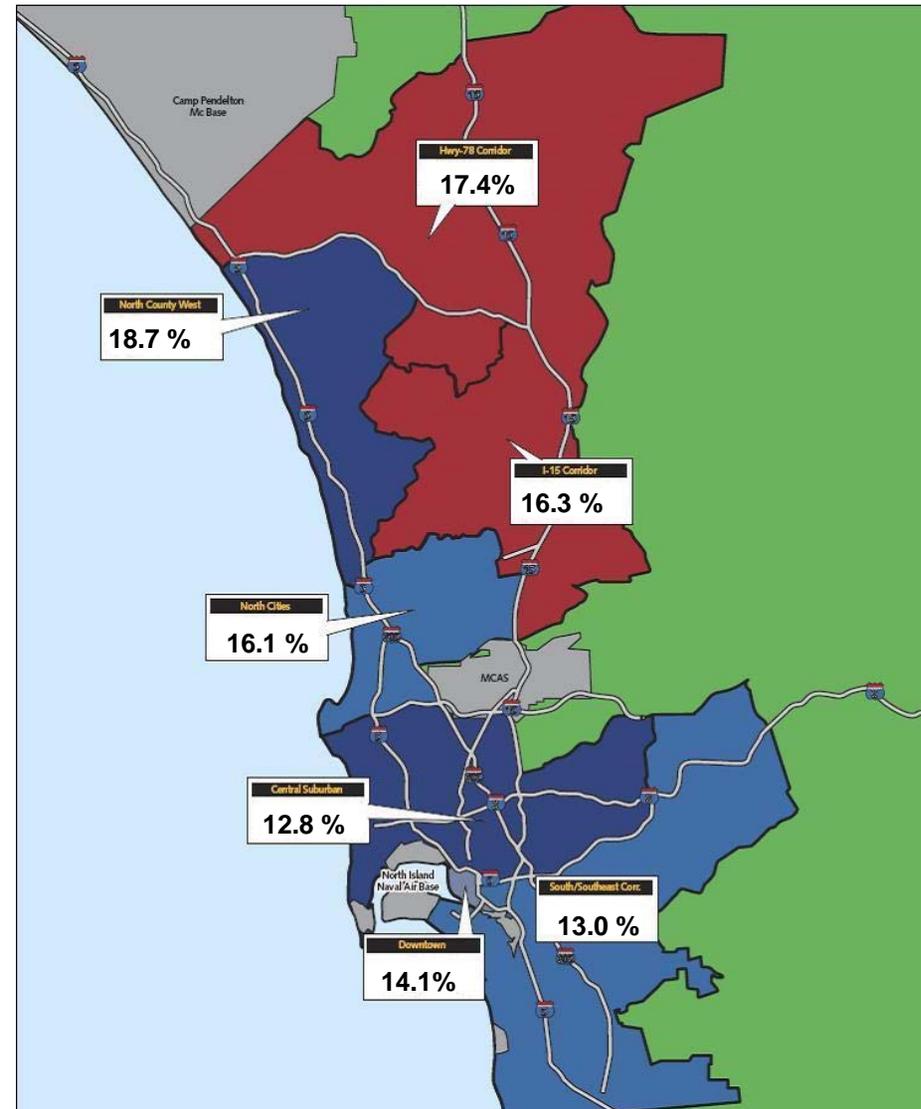
- Highway Noise
- Changing dynamics in industrial serving employment demand
- Significant change in land use will call for relocation of existing businesses
 - 773 businesses with approximately 7,890 employees
 - Avg. size 10 employees
- Sustain fiscal revenue base



Office Market Demand

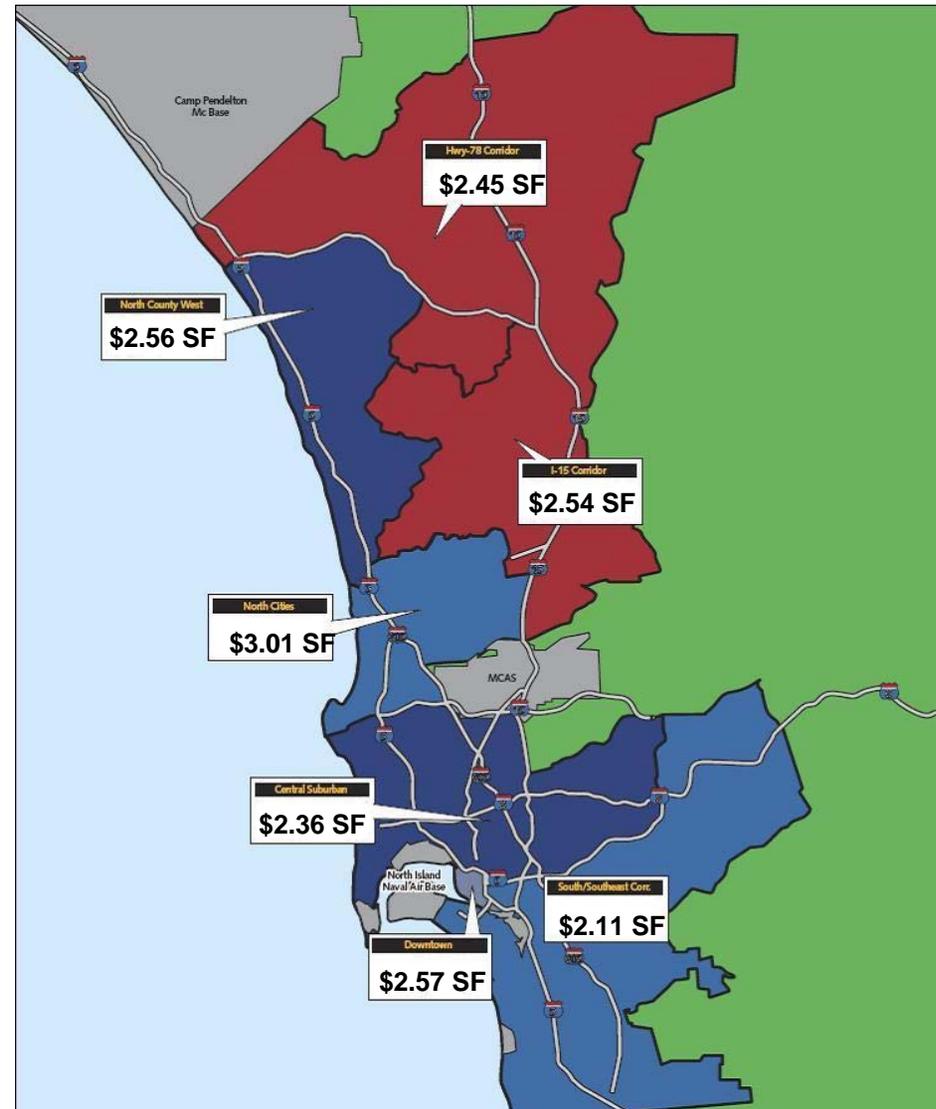
County Office Market Overview (Vacancy)

- Class A space vacancy is driving vacancy rates up across the county.
- Two quarters of negative absorption throughout all classes of office space.
- Limited construction and deliveries in the CBD.
 - Land scarcity
 - Rising cap rates
- 15.0 % Countywide



County Office Market Overview (Rent)

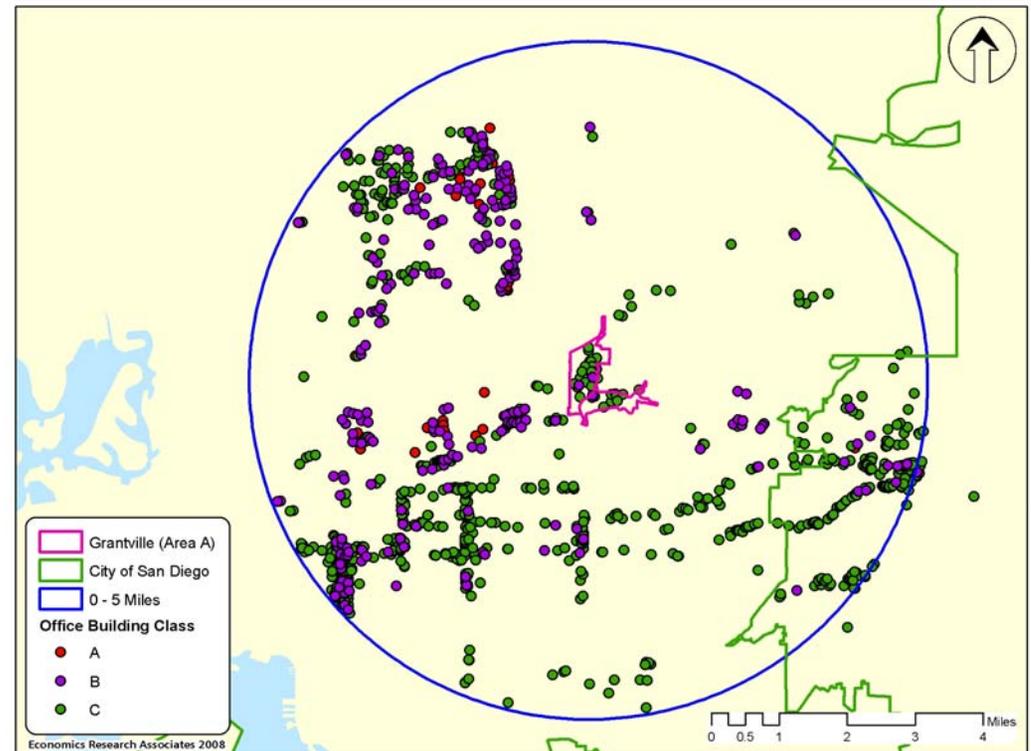
- Even in the face of increased vacancy, the average asking rents have held fairly constant over the last year (concessions).
- North Cities and Downtown areas are commanding the highest average asking rents.
- \$2.60 SF/Mo. countywide



Local Office Market Overview

- Office in Subarea A
 - \$1.46 per Mo/SF
 - 11% Vacancy
- Class B and C Product
- 24.4 Acres (7.3%)
- Rents less than 60% of County average
- 15% County vacancy

Office Properties Near Grantville Area A



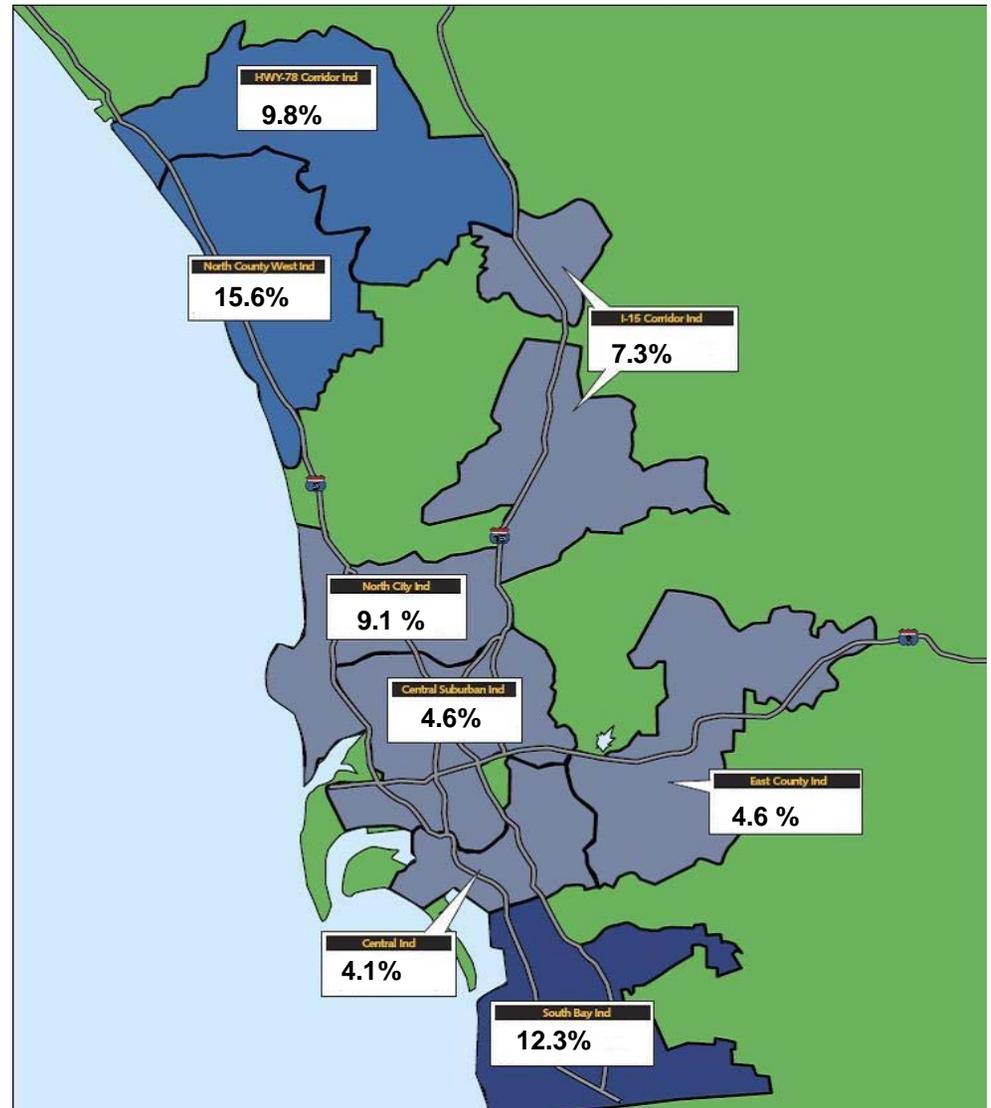
Office Market Demand

- ERA examined projected office using job growth in the County (2008 – 2030)
- Allowed for absorption of existent vacancies/under construction
- Used the Mission Valley/Navajo “fair share” as low capture of regional office demand
- Subarea A could attract 12% - 15% of new demand
- 234,000 – 367,000 SF of demand
- ERA suggests targeting “shared office space” or medical office space.
- Will not be competitive with Downtown market

Industrial Market Demand

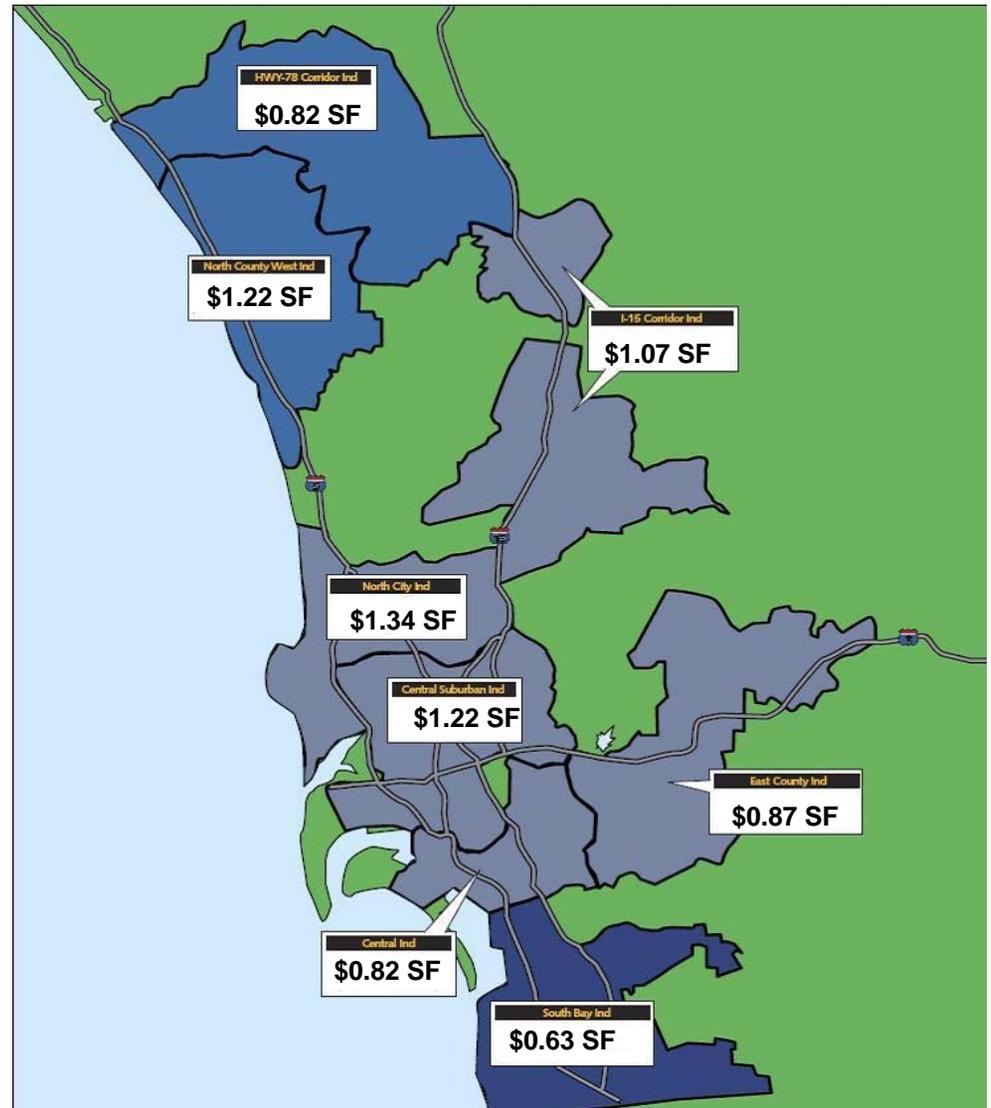
County Industrial Market Overview (Vacancy)

- Areas where new product has been delivered (e.g. flex) have higher vacancy rates.
- Commercial industrial has historically been the more stable than office.
- Central San Diego has some of the lowest vacancy rates in the County.
- 8.7% countywide



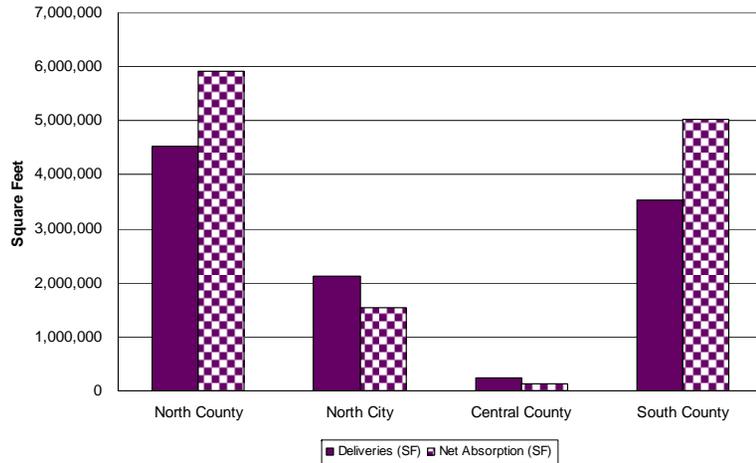
County Industrial Market Overview (Rent)

- Rent premiums are associated with flex space generally concentrated in the north city / north county market areas.
- South county and east county rents reflect more traditional warehouse / distribution industrial product.
- \$1.01 SF/Mo. countywide



Vacant Industrial Demands and Deliveries

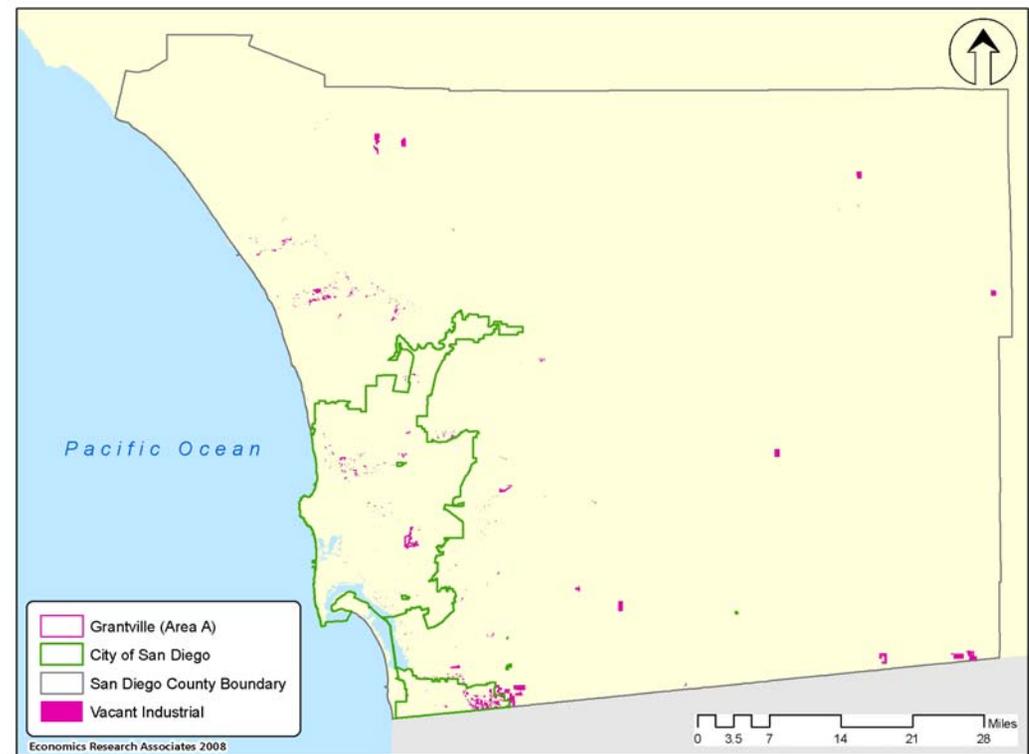
2000 - 2008



- North County (Flex)
- South County (Traditional)

- Due to lack of land in the central county, development is pushed to the north and south country areas.

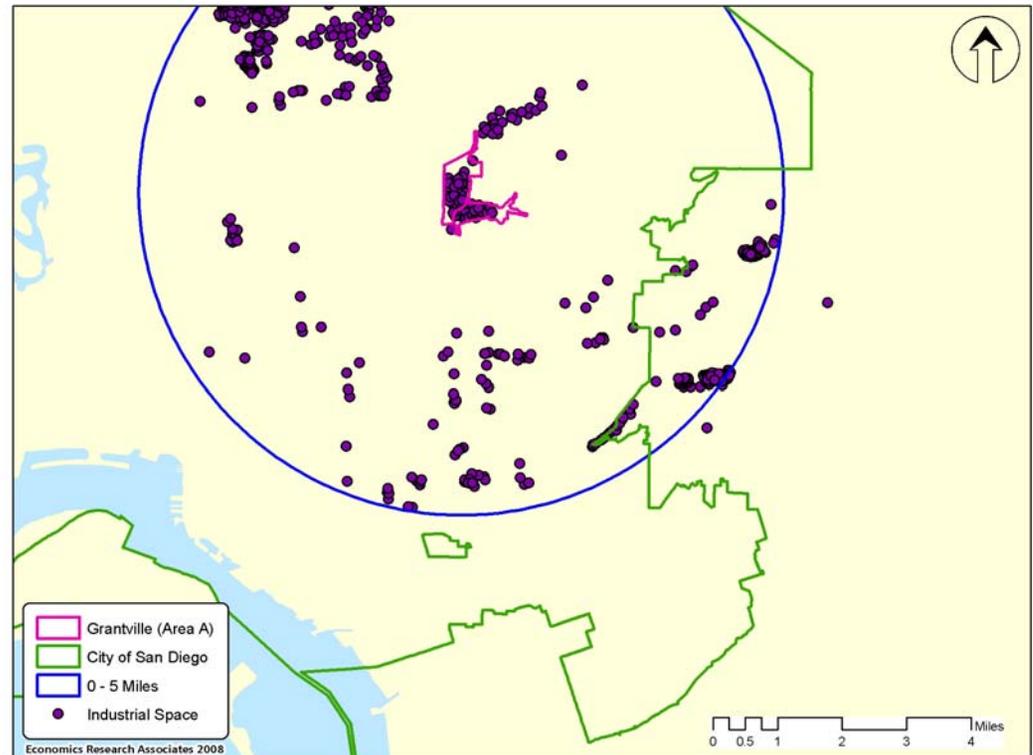
Vacant Industrial Land Inventory - San Diego County



Local Industrial Market

- Industrial in Subarea A
 - \$1.04 per Mo/SF
 - 4.6% Vacancy
- Light industrial product and commercial using industrial space
- 117.1 Acres (35.1%)
- Rents slightly above County average
- Vacancy's significantly less than County (8.7%)

Industrial Space Near Grantville Area A

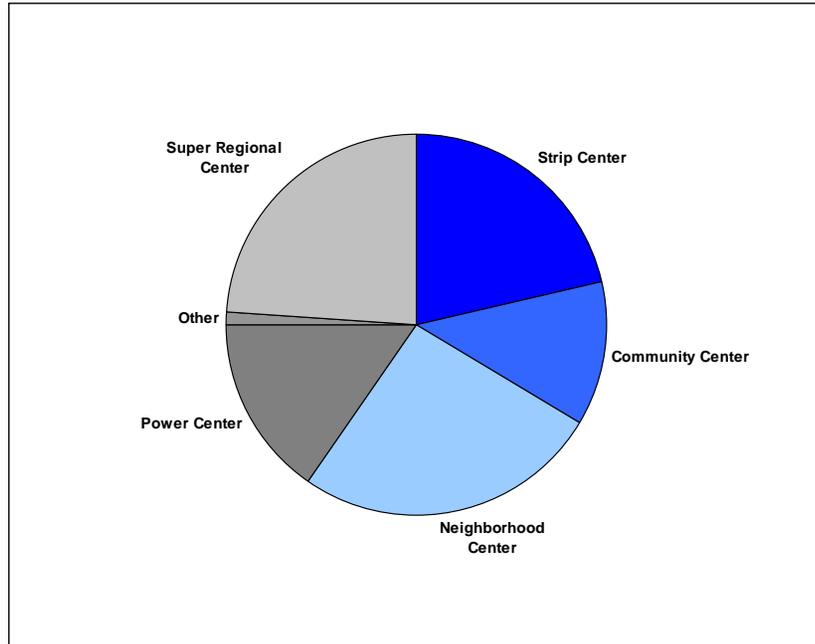


Industrial Market Demand

- ERA examined projected industrial using job growth in the County (2008 – 2030)
- Allowed for absorption of existent vacancies
- Used the Mission Valley/Navajo “fair share” as low capture of regional office demand
- Subarea A could attract 46% of new demand
- 68,000 – 228,000 SF of demand
- ERA suggests targeting limited industrial space
- On-site/off-site relocation (to be considered)

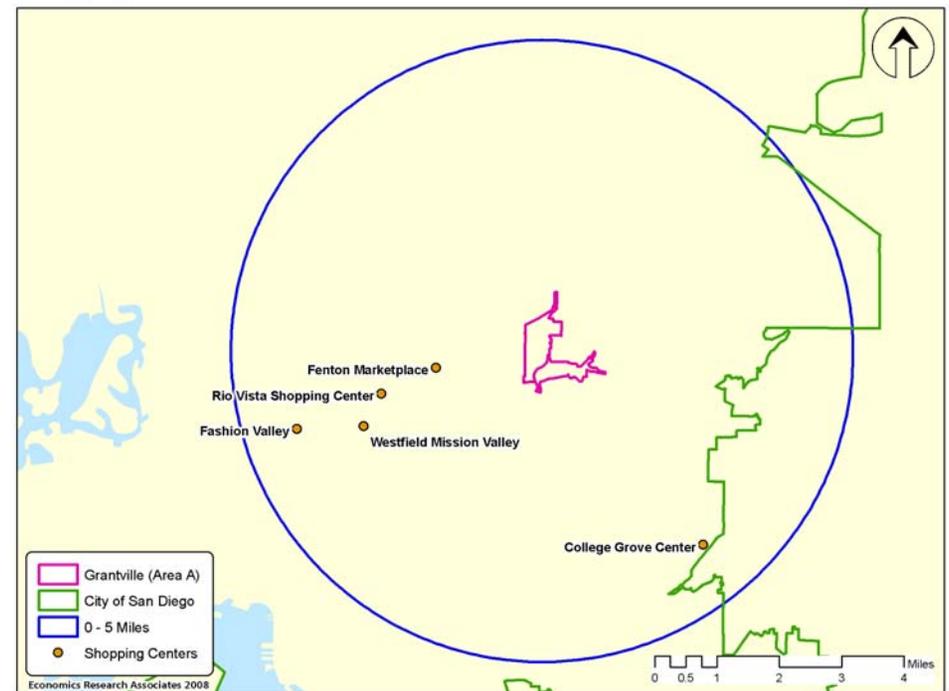
Retail Market Demand

Local Retail Market



- Almost every major community / power center anchor represented.

Shopping Centers Near Grantville Area A



- Mission Valley represents 10% of occupied retail space in the City of San Diego

Incremental Demand Segments

- Limited population growth in 0 – 5 mile market shed (2010 – 2030)
- Competitive retail supply in Mission Valley
- New housing (in Subarea A) have been excluded from low demand scenario:
 - Neighborhood (17,000 SF)
 - Community / Power (67,000 SF)
 - Regional (80,000 SF)
- 5,000 housing units can support upwards of 75,000 SF of neighborhood retail space

Retail Orientation

- ERA suggests establishing one concentrated node of retail activity (possibly in a mixed use format) using elements of “lifestyle” shopping center with more traditional neighborhood and community orientation.

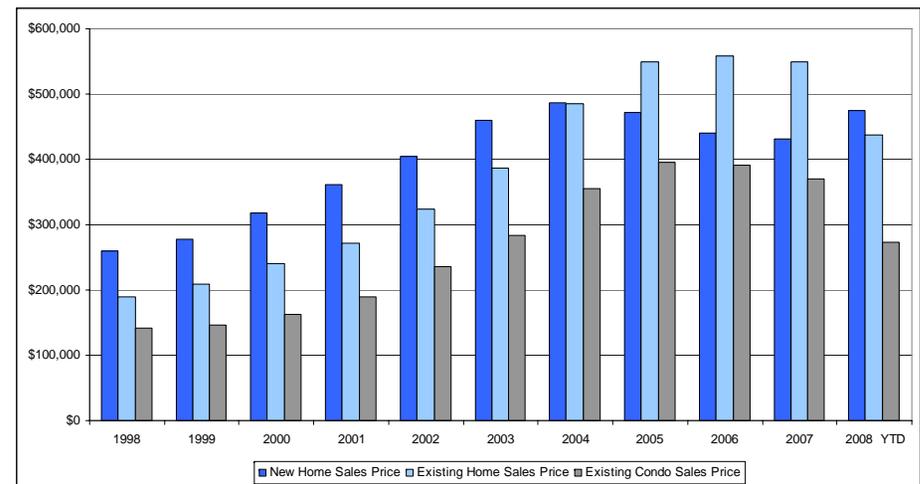
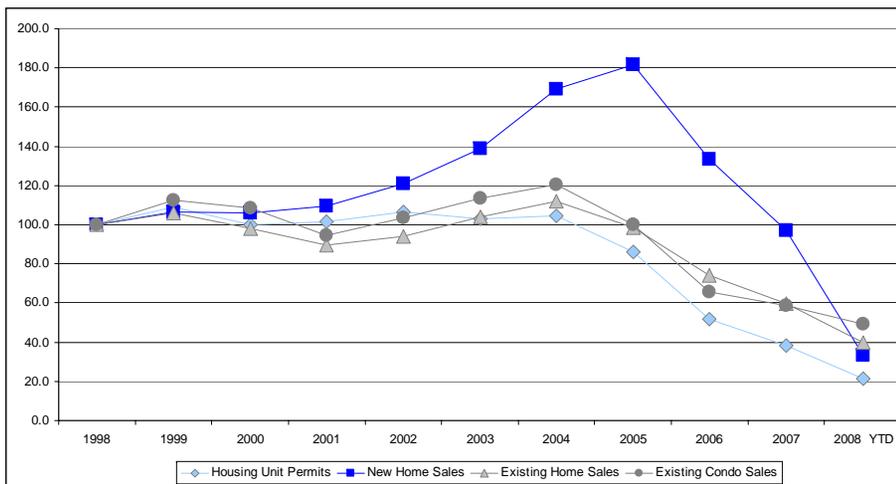
	Primary Trade Area	Acreage	Square Feet (000)
Open-Air Centers			
Neighborhood Center	3	3-15	30-150
Community Center	3-6	10-40	100-350
Power Center	5-10	25-80	250-600
Lifestyle	8-12	10-40	150-500
Malls			
Regional	5-15	40-100	400-800
Super Regional Center	5-25	60-120	800+



Residential Market Demand

Housing Trends

- Recent and rapid decline within the housing industry.
- ERA assumes that unless there is a structural change to the fundamental economics of the region, growth patterns will remain in tact during the post recovery period.
- San Diego is positioned for exit.
 - Little recent construction & recent foreclosure absorption



Residential Market Demand

- Adjusted projected distribution of population growth due to existing market conditions (2010 – 2030)
- Assumes a mix of product types (for rent/for sale and row, mid rise, high rise) and improved connectivity to San Diego River and Trolley
- Positioned as an extension of Mission Valley (downtown alternative)
- 1,800 – 4,300 units by 2030.
- SDSU: 600 – 1,000 units by 2025
- Subarea A and SDSU (high) = 265 units per year
- Subarea A and B (high) = 320 units per year
- Subarea A, B, & SDSU (high) = 370 units per year

Implementation Issues

Implementation Issues

- Development costs which will vary by
 - Density
 - Parking needs
 - Site assembly and preparation costs
 - Business relocation costs
 - Others
- Financial feasibility and the magnitude of public participation will depend on the incremental value created by new development
- Residual value tests will be carried out for different building typologies

Implementation Issues

Potential sources for infrastructure funding (capital and operational) include:

- Primarily rely on value capture mechanisms
- DIF fees
- Tax increment
- Other assessments
- Development agreements
- Others.

Questions

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